



COMMISSION NEWS

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INVESTORS GET HELP IN SHOPPING FOR CERTIFICATES OF DEPOSIT HANDY CHECKLIST AVAILABLE FROM STATE SECURITIES REGULATORS

PHOENIX – While the volatile stock market can make certificates of deposit appealing to investors, some certificates of deposit (CDs) aren't what they seem. That's the message behind a helpful checklist now available from state securities regulators at the Arizona Corporation Commission's Securities Division.

With many elderly investors complaining they've been misled into buying "callable" CDs with 10- to 30-year maturities, state securities regulators hope investors will use the checklist to avoid getting stuck with something they don't want.

"All CDs are NOT created equal. Investors need to ask questions and understand exactly what they're buying," cautioned Mark Sendrow, director of the Commission's Securities Division. "Callable CDs often have higher yields than traditional bank-issued CDs because they require a 10-, 20- or even 30-year commitment. Investors should be careful and ask the questions on the checklist to make sure they know what they're getting into and whether it meets their investment objectives," said Sendrow.

The fill-in-the-blank checklist consists of 13 questions designed to help investors distinguish between traditional bank-issued CDs and callable CDs. The checklist is available on the Division's website at www.ccsd.cc.state.az.us/forms/pdf/cdchecklist.pdf or investors can get a copy sent by fax or mail. While usually offering higher returns, there are substantial penalties for cashing callable CDs before their maturity date.

According to Sendrow, many investors don't realize that with callable CDs only the issuer, not the investor, can "call" or redeem the CD. Investors who want their money before a callable CD matures risk a substantial loss – as high as 30 percent – regulators warn.

Callable CDs are being marketed through newspaper ads, high-pressure telephone solicitations and direct mail. In many print ads, regulators note, the CD's interest rate is trumpeted in large print while its maturity date is buried in small type and technical jargon.

Before purchasing any CD, the checklist prompts investors to learn its maturity date, where the money will be deposited, the penalties for early withdrawal, any costs associated with selling before maturity and whether the interest rate is fixed or variable.

The Arizona Corporation Commission's Securities Division can also provide answers to questions about specific types of investments as well as the stockbroker or brokerage firm selling them. For a copy of the CD checklist or for more information, call the Arizona Corporation Commission's Securities Division at 602-542-4242, toll free at 1-877-811-3878, or through its website at www.ccsd.cc.state.az.us.

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